

The complaint

Mr L complains that Zopa Bank Limited gave him personal loans without properly checking affordability or his creditworthiness.

What happened

Mr L took out two loans with Zopa:

1. In 2021, for £5,000 over 12 months, with a monthly payment of £489.57.
2. In 2022, for £3,000 over 12 months, with a monthly payment of £292.97.

Mr L complains that the loans weren't affordable. He said that after other outgoings he did not have enough money to repay the debts without taking out further borrowing or gambling.

Our investigator said that Zopa's offer to refund all of the interest on both loans and to remove any record of the loans from Mr L's credit file was a fair outcome.

Mr L did not accept what the investigator said. He made a number of points, including:

- He is a vulnerable person and is receiving treatment for a serious health problem.
- The offer to resolve the complaint does not go far enough. He has had to take out more loans and credit card to be able to repay these loans.
- Zopa should compensate him for the distress and inconvenience this matter has caused to him.

What I've decided – and why

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

There isn't any dispute that Zopa did not lend to Mr L responsibly. What is left for me to decide is whether Zopa's offer to write off any interest on the loans and to remove any information relating to the loans from Mr L's credit file goes far enough.

The starting point is that Mr L has had the benefit of the money from both the loans. So it is fair and reasonable that he should repay that amount – but less the interest Zopa applied. There might be circumstances where it would be unfair for a borrower to repay original amount borrowed – for example if there is no prospect of a borrower ever being able to repay what they were lent. But I don't think that applies here.

Zopa did not carry out adequate checks. If it had it would not have lent to Mr L. Looking at his circumstances, Mr L was employed and although he had other debts, I don't consider it is unrealistic that he would be able to repay the principal amount – albeit not on the repayment schedule agreed by Zopa and without any interest. Mr L had paid off loan 1 in full.

I note what Mr L has said about his circumstances, but I'm afraid that isn't enough for me to say that Zopa should write off the remaining balances of the loans bearing in mind he has had the benefit of those amounts.

In regard to the other credit Mr L said he has taken out to repay these loans, that is something that he would need to raise with the lenders that gave him those loans. I couldn't fairly conclude that any losses Mr L suffered as a result of those loans were because Zopa approved these two loans, rather than the lending decisions of the other lenders. I consider Zopa's offer is a fair to reflect any financial loss that Mr L suffered as a result of being given these two loans.

That leaves compensation for distress and inconvenience. I am able to award compensation to reflect distress and or inconvenience caused to Mr L because of the business's mistake. Mr L said he is vulnerable because of his health conditions and as he is addicted to gambling. He has the stress of dealing with other debts he would not have had if Zopa had not lent to him.

I am sorry to hear what Mr L has been through. I don't doubt that he has suffered distress because of his personal circumstances. But I can't see that Zopa was aware (or ought reasonably to have been aware) of Mr L's vulnerabilities when it granted the loan. I don't consider that it is responsible for any distress and inconvenience arising from that.

If Mr L is experiencing distress because he is having to pay other debts, then that is not something that I could fairly say that Zopa should compensate him for. That is something he would need to raise as part of any claim to those other lenders.

It is clear that Zopa made a mistake in lending to Mr L. Looking at the evidence we have, including Mr L's bank statements, I think it would be difficult for me to find that the loans from Zopa were the sole cause of any financial difficulty or any issues that Mr L had in managing his finances. In some months the payments into his bank account were more than the payments out. In others where the payments out exceed the amount received, I can't see that the Zopa loans were the sole cause of that or any distress arising from Mr L's financial situation.

Looking at the evidence I have, I don't consider Zopa's actions in granting the loans were the cause of the distress Mr L said he suffered. I say that in view of what we know about Mr L's finances overall, and because he has told us some of the stress was caused by other credit facilities. After careful consideration, I don't consider Mr L has shown material distress caused by Zopa's lending decision, rather than other

My final decision

My final decision is that Zopa Bank Limited's offer to write off the interest for both loans and to remove the information about those loans from Mr L's credit file is a fair outcome in all the circumstances.

Zopa Bank Limited should honour its offer (if it has not done so already):

- Refund all interest, fees and charges on both loans.
- Deduct all of the payments made in respect of each loan from the remaining balance.
- If there is a surplus, refund any overpayment with interest at 8% simple per year from the date of any overpayment until date of settlement.

- If there is a balance remaining, agree a mutually acceptable repayment plan with Mr L.
- Remove both loans from Mr L's credit file.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 22 February 2023.

Ken Rose
Ombudsman